OAKWOOD

PETROLEUMS LTD.

ANNUAL REPORT 1974

ANNUAL MEETING OF SHAREHOLDERS

Annual General Meeting of Shareholders of Oakwood Petroleums Ltd. will be held at 220 One Calgary Place, 330 - 5th Avenue S.W. in the City of Calgary, Alberta at the hour of 10:00 A.M., Local Time, July 29/75. A formal Notice of Meeting of Shareholders together with an instrument of Proxy and Information Circular is being mailed to shareholders together with this report.

OAKWOOD PETROLEUMS LTD.

and subsidiary companies

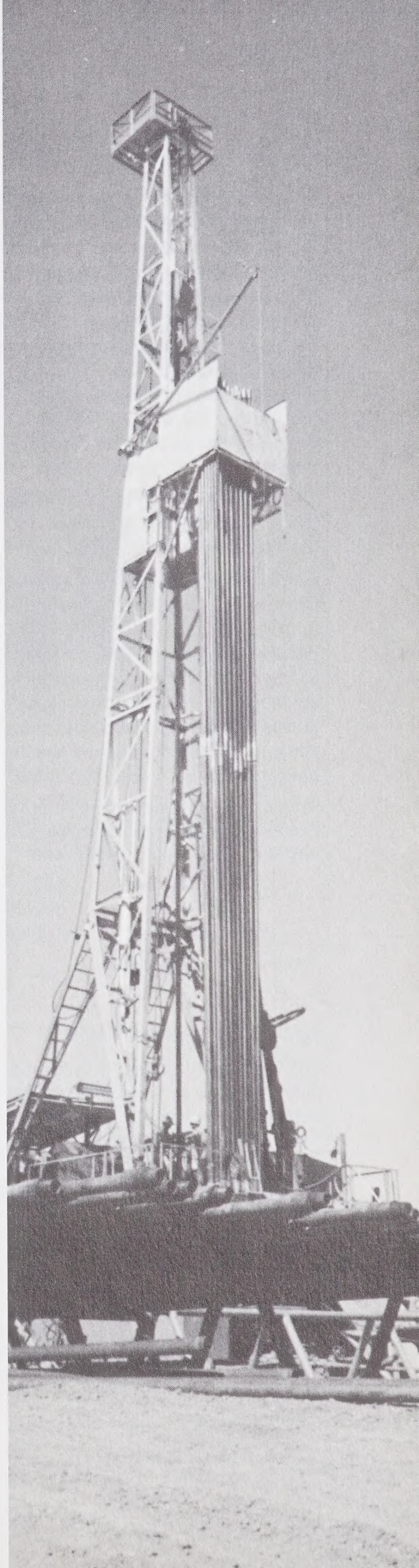
our 49th year of operation

Incorporated under the laws of Canada on November 28, 1925

Capital: 5,000,000 shares without nominal or par value, of which 3,643,781 shares are presently issued.

STATISTICS

	1974	1973	Increase (Decrease)
NET PRODUCTION			
Oil Production, barrels	173,214	108,493	59.7%
Daily average, barrels	475	297	
Gas Production, MCF	1,187,996	1,174,826	1.1%
Daily average, MCF	3,255	3,219	
SALES & EARNINGS			
Crude Oil and Natural Gas Sales	$1,060,939	$546,600	94.1%
Funds provided by (Applied to) Operations	269,948	(24,501)	
Per Share	7.4¢	(0.7¢)	
Loss for the year	677,744	289,944	
Per Share	19¢	11¢	
LAND HOLDINGS			
Oil & Gas Lease & Permit Acres			
Gross acres	846,776	3,467,740	
Net acres	116,733	286,595	
Mining Claims & Exploration			
Gross acres	65,898	58,950	
Net acres	6,451	5,895	
NET RESERVES			
Oil and Condensate, barrels			
Proven	1,072,000	1,160,570	
Probable	621,000	443,700	
Total	1,693,000	1,604,270	
Natural Gas, MCF — proven and probable	24,150,000	26,044,295	
Indicated Sandhills Gas Reserves, MMCF (net of royalty)	103,000	241,034	



ESTIMATED RESERVES OF PROPERTIES

Your Company has engaged the independent consulting firm of McDaniel Consultants (1965) Ltd. (McDaniel) of Calgary annually over the past four years to evaluate producing and non-producing properties. Our most recent evaluation was completed as of January 1, 1975. The principal crude oil producing properties are in the Smiley field in Saskatchewan, Redwater and Turner Valley fields in Alberta. The principal natural gas properties are the Big Bend-Flatbush, Matziwin and Princess fields in Alberta and the Tiger Ridge-Bullhook field in the State of Montana, U.S.A.

The accompanying graphs prepared by the Company incorporates certain of the figures from the McDaniel evaluations prepared over the years.

As of January 1, 1975 McDaniel estimated the Company's net share of proven remaining reserves to generate a future net revenue of $15,951,500 before income tax. This net revenue was estimated to have a present worth value of $6,956,000 employing a 12% discount rate compounded semi-annually. The estimated fair market value of the Company's unproven acreage interests were estimated to be some $1,740,000.

The Company's net share of proven remaining and probable additional reserves as of January 1, 1975 were estimated to be as follows:

Oil & Liquids	1,693,000 Bbls. after royalty
Gas	24,150 Mmcf after royalty
*Sandhills Gas	103,000 Mmcf after royalty

* Not calculated by McDaniel.

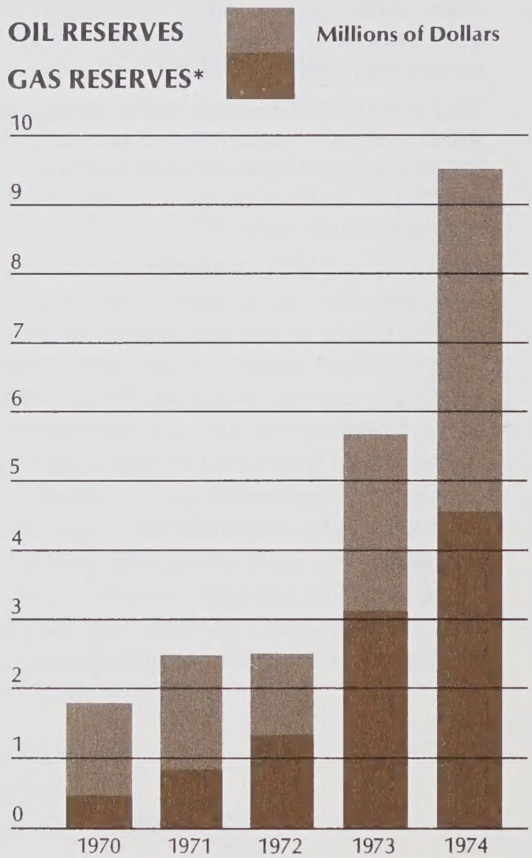
FINANCIAL HIGHLIGHTS

1974 was a significant one for the Company in terms of operations — as oil and gas sales (net of all royalty burden) surpassed the million dollar mark. Cash flow from oil and natural gas production more than doubled — rising to $788,000 from $385,000 in 1973. Net cash flow was 7.4¢ per share as compared to a negative cash flow for the previous year. The property acquisitions made in 1974 added substantially to the Company's debt burden; however, with the increased cash flow already being generated as a result of higher oil and gas prices, and with further increases to come later in 1975, the Company will be in a solid cash flow position — even after servicing all debt financing commitments.

Your Company maintains its 28% interest in American Eagle Petroleums Ltd., which company as a result of a disposition of a portion of its undeveloped gas reserves during 1974, now enjoys a comfortable working capital position and should commence showing improved operating results as its oil and gas properties in Alberta are completed and put onto production.

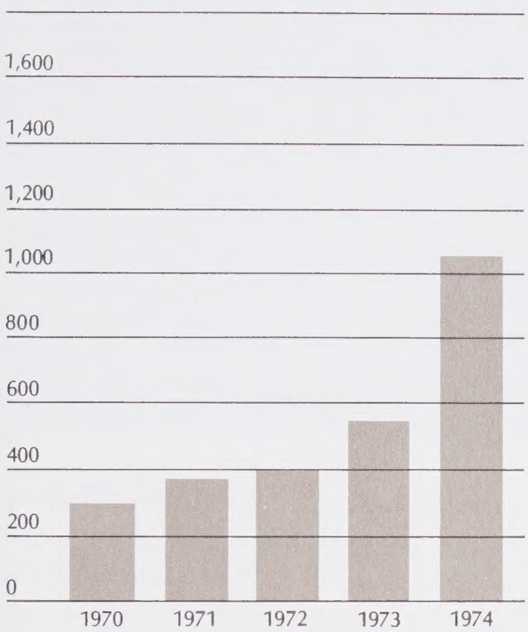
For 1975, your Company's management anticipates further improvement and growth in your Company's operating results as the natural gas development programs in the Princess and Matziwin Areas are completed and put onto production.

ESTIMATED PRESENT WORTH OF OIL & GAS RESERVES (Proven & Probable) (Discounted @ 9%)

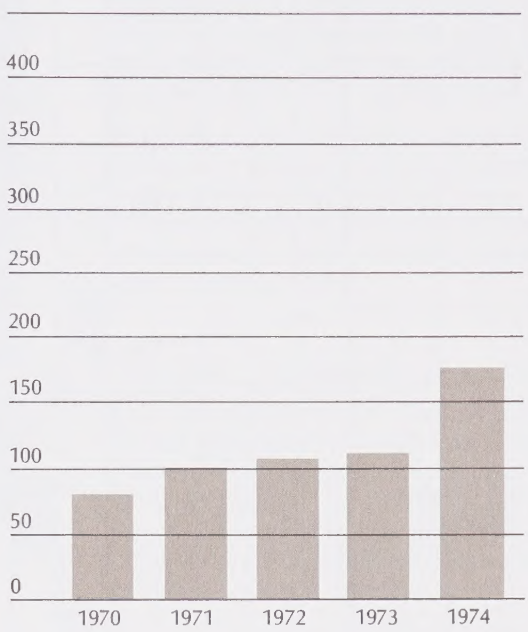


* The above gas reserve figures do not include the indicated 103 billion cubic feet of gas at Sandhills, Saskatchewan.

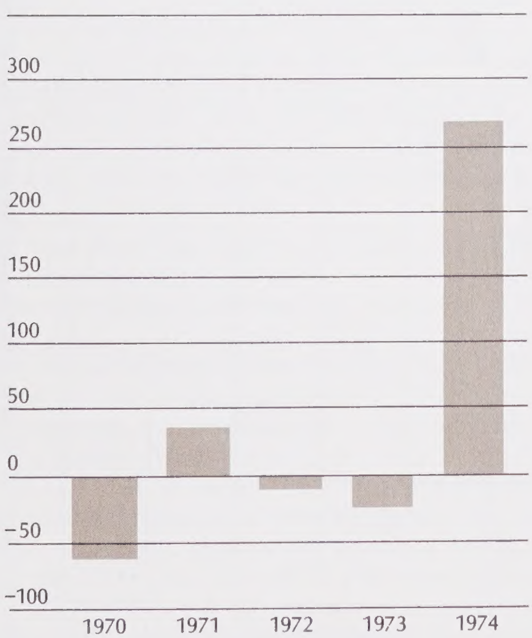
PRODUCTION AND ROYALTY INCOME
Thousands of dollars



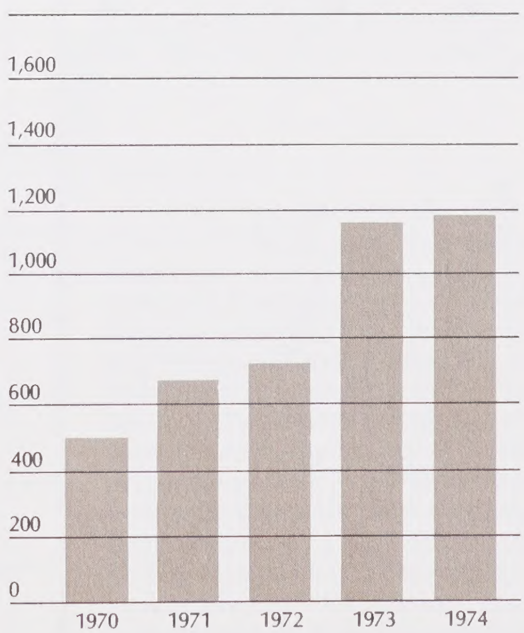
ANNUAL CRUDE OIL PRODUCTION
Thousands of Barrels

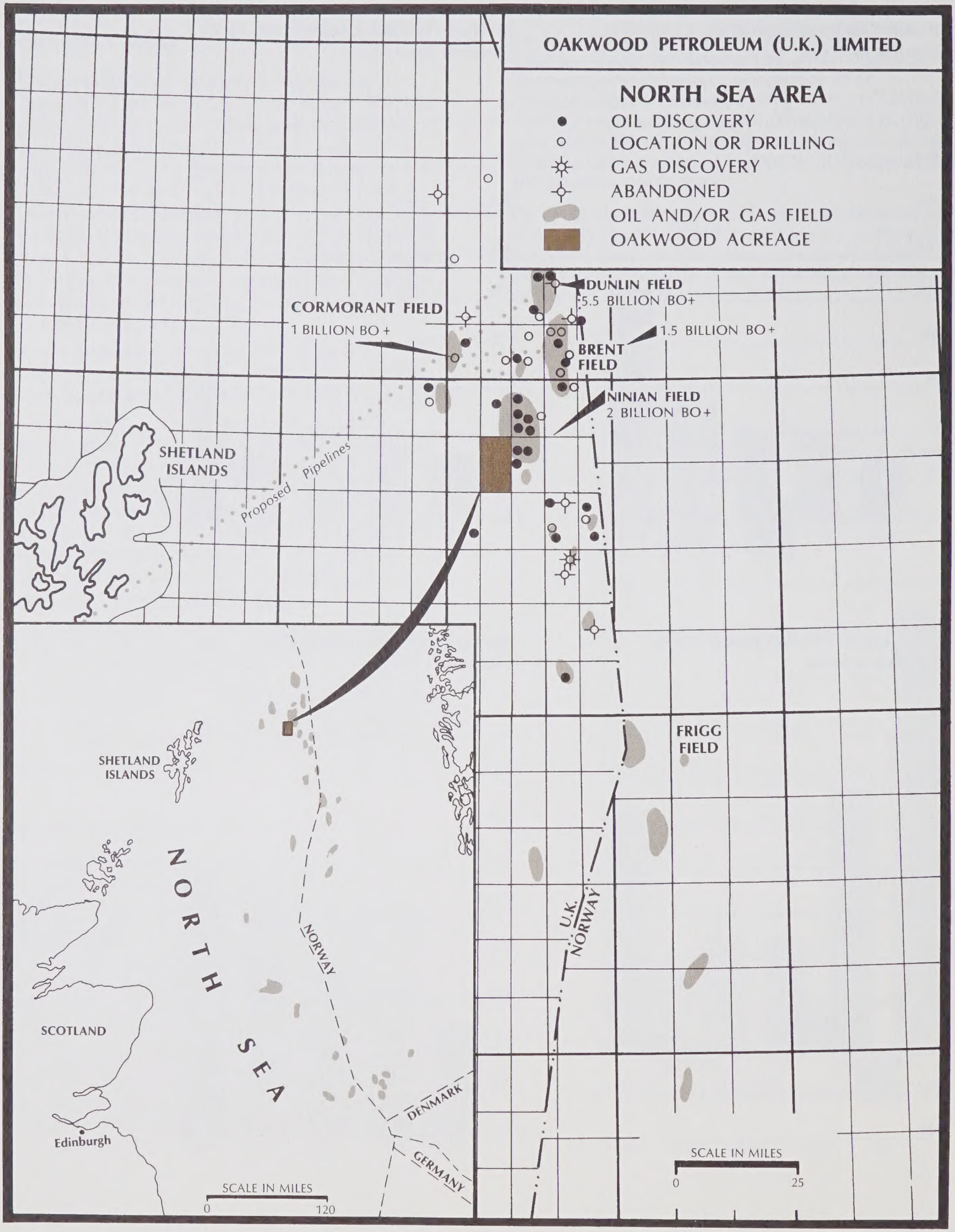


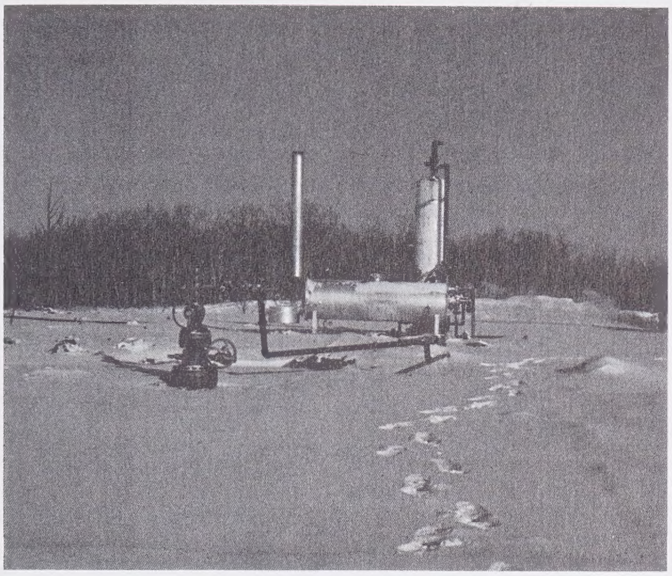
CASH FLOW FROM OPERATIONS
Thousands of dollars



ANNUAL GAS PRODUCTION
Millions of cubic feet




OAKWOOD PETROLEUM (U.K.) LIMITED
NORTH SEA AREA
OIL DISCOVERY
LOCATION OR DRILLING
GAS DISCOVERY
ABANDONED
OIL AND/OR GAS FIELD
OAKWOOD ACREAGE
DUNLIN FIELD
5.5 BILLION BO+
CORMORANT FIELD
1 BILLION BO+
1.5 BILLION BO+
BRENT FIELD
NINIAN FIELD
2 BILLION BO+
SHETLAND ISLANDS
Proposed Pipelines
FRIGG FIELD
U.K.
NORWAY
SCALE IN MILES
0
25
SHETLAND ISLANDS
NORTH SEA
NORWAY
SCOTLAND
Edinburgh
DENMARK
GERMANY
SCALE IN MILES
0
120



FOREIGN OPERATIONS

UNITED KINGDOM PETROLEUM PRODUCTION LICENCE (see map)

Our 1973 Annual Report indicated that there would be considerable interest in activity in the U.K. sector of the North Sea. Of particular interest to our shareholders has been the activity immediately bordering or near to Block 3/7 in which Oakwood Petroleums (U.K.) Limited holds a 5% working interest in a total of approximately 54,000 gross acres.

From recent drilling and seismic it has now basically been confirmed that there are two separate structures underlying Block 3/7, one covering the southwest corner and the other the northeast corner of the Block. The Ninian Oil Field technically overlaps, we feel, onto the northeast corner of Block 3/7. Ninian is considered one of the largest structures in the North Sea second only to the Brent and Forties Fields.

To date there has been no published data released on the Ninian Field, however, considerable unconfirmed information has circulated amongst the oil industry in London. From this information, the indicated crest of the structure was tested by British Petroleums and Burmah Oil in the two blocks immediately to the east and northeast of Block 3/7 through the drilling of BP 3/8-1, 2 & 3, and Burmah 3/3-1, 2, 3, 4, & 5 wells. Test results indicate substantial reserves estimated to be 1.4 - 1.6 Billion Bbls. with peak production potential of 400,000 barrels of oil per day with a field life of approximately 18 years. The potential oil reserves underlying Block 3/7 could be on the order of 250 - 300 million barrels taking into account only that portion of the Ninian structure underlying Block 3/7.

We are unable at this time to estimate the possible reserves underlying the southwest corner of Block 3/7 due to insufficient drilling control in close proximity. It will be of considerable benefit to Oakwood and partners to define the structures on Block 3/7. Negotiations are continuing with the hope that at least one joint test well can be drilled in order to evaluate Block 3/7 in the not too distant future.

From all recent indications it appears that the British Government will adopt policies to encourage exploration in the North Sea area. This will result in economically sound, attractive projects with adequate income to the producers.

IRELAND - OFFSHORE CELTIC SEA

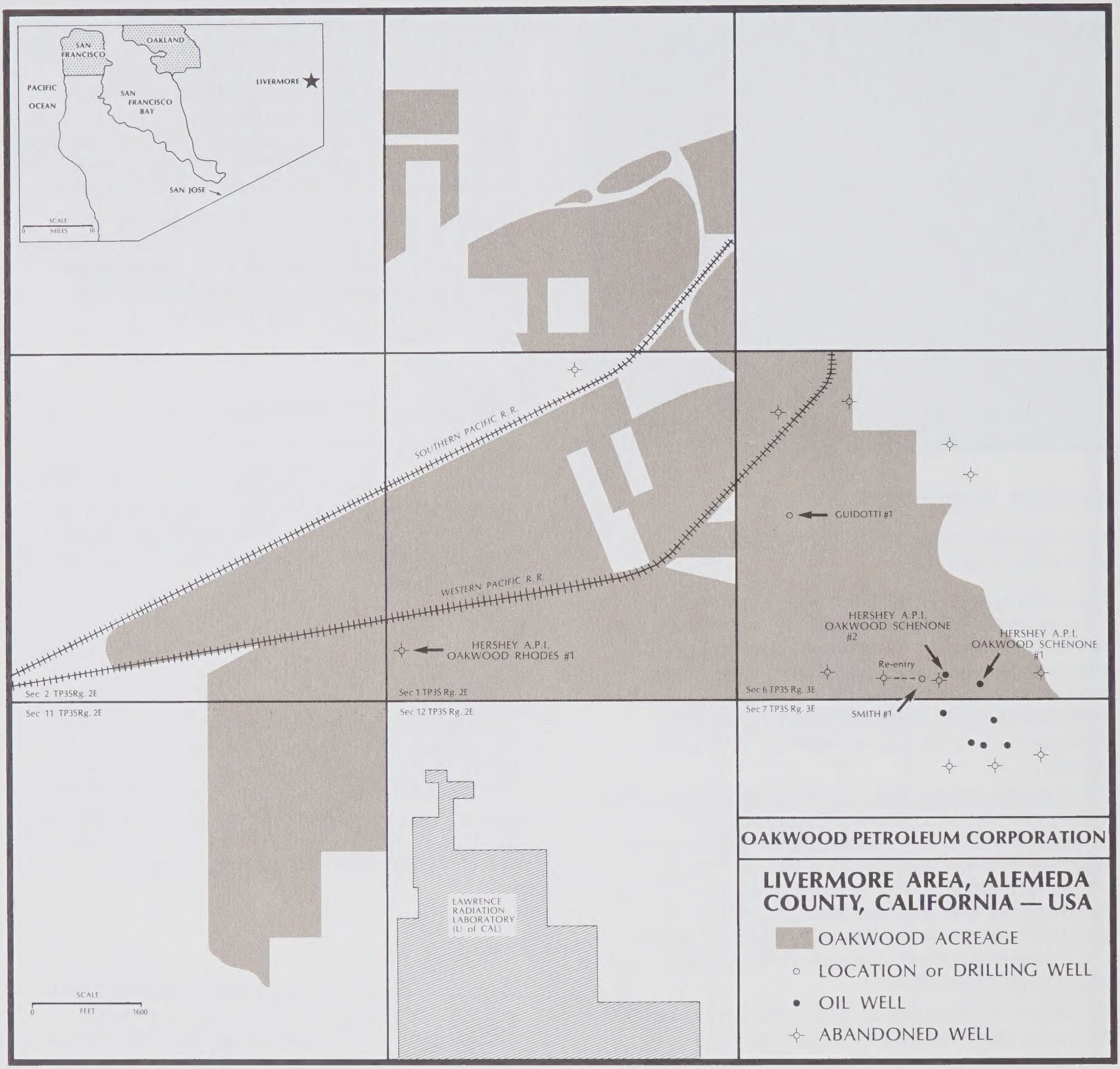
The Republic of Ireland has called for tenders to bid on petroleum prospecting licences. Oakwood Petroleums (Ireland) Limited retains its 15% interest in an Application for Petroleum Prospecting Licence with a group comprised primarily of Canadian independents headed by Oakwood. Filing of tenders will close July 31, 1975.

GERMAN NORTH SEA

Oakwood retains its 2.66% working interest in the German North Sea Oil & Gas Exploration Permit designated as Block J-2, containing 98,842 gross acres. There has been little activity in the area but Oakwood intends to retain its interest as seismic indicates the possibility of several structures in the German North Sea. A number of wells are planned for 1975-76 drilling in this area.

KENTUCKY

Oakwood Petroleum Corporation has acquired a total of 15,130 gross acres of petroleum and natural gas rights in Harlan County in the State of Kentucky in which it has a 45% working interest, 55% being held by Canada Northwest Land Limited and Roseland Development Ltd. Oakwood is operator for the group and it is the intention to farmout the properties with Oakwood and its partners retaining an interest in the drilling of exploratory wells. The area of interest is a prospective gas area with required drilling depths of approximately 8,000'. Information on activity in Kentucky, however, is not readily available, but we are advised that a gas well has been completed in a nearby area which reportedly tested 11.3 million cubic feet of gas per day. We feel the area is a very prospective and worthwhile exploration prospect.



LIVERMORE, CALIFORNIA (see map)

Oakwood and its partners were successful in two of the three wells drilled in the Livermore area of California operated by Hershey Oil Corporation of Los Angeles. The two productive wells are presently producing oil with Oakwood receiving its 16.67% of the proceeds of production. The present price being paid for crude oil in the area is $11.70 per barrel. Additional lands have been acquired on the prospect over the past year and Oakwood now has a 16.67% working interest in approximately 1,443 gross acres. Additional drilling of two locations is planned for 1975 as shown on the map. The Smith #1 well is a re-entry development well and the Guidotti #1 location will be an exploratory well.

SAN JOAQUIN VALLEY, CALIFORNIA

Oakwood's 1973 Annual Report carried report of purchase of a 100% working interest in the Semi-

Tropic, S. E. Burrell and Helm Fields of California. There are presently five oil and one gas wells producing on the properties. Oakwood has completed a farmout with Montara Petroleum Company of Bakersfield, California to drill a well to test the Miocene Zilch, Eocene and Upper Cretaceous sands at a depth of approximately 8,500' on Section 24, Township 17S, Range 18E, M.D.B.M., Fresno County, California. The farmout agreement carries further drilling options for additional wells to be drilled at ninety-day intervals after rig release of each preceding well. Montara interests will be earned on a per well basis. The commitment well is anticipated to be drilled Mid-August, 1975.

OTHER FOREIGN OPERATIONS

Oakwood continues to negotiate to acquire other petroleum and natural gas concessions in foreign areas of interest and is still negotiating on concessions located in South America.

EXPLORATION, DEVELOPMENT AND PRODUCING AREAS

GLADYS AREA, ALBERTA (see map)

- Our 1973 Annual Report carried a report covering a well drilled on the GLADYS Prospect licenced as Oakwood Gladys 10-32-20-27 W4M, the commitment well under Farmout Agreement between Star Oil & Gas Ltd., Tricentrol Canada Limited and Orient Investments Ltd. and partners. We are pleased to report that this exploratory well was successfully completed as a Crossfield gas well. The Crossfield gas zone will not be produced at the present time until sufficient reserves have been developed.

Your company is presently contemplating additional drilling on the prospect. It is anticipated that at least 4 more wells will be drilled on the prospect within the next 12 months. When the option well has been drilled your company will have earned a 50% interest in 1,280 acres and a 25% working interest in 8,160 acres under the Farmout Agreement.

Additional Crown and freehold leases have been acquired on the prospect totalling 4,339 gross acres in which Orient and Flamingo (subsidiary companies of Oakwood), jointly have a 25% working interest. The prospect lands are located in Townships 19, 20 & 21, Ranges 26, 27 & 28 W4M. With present and future gas price increases this prospect promises to be of considerable asset value to the company.

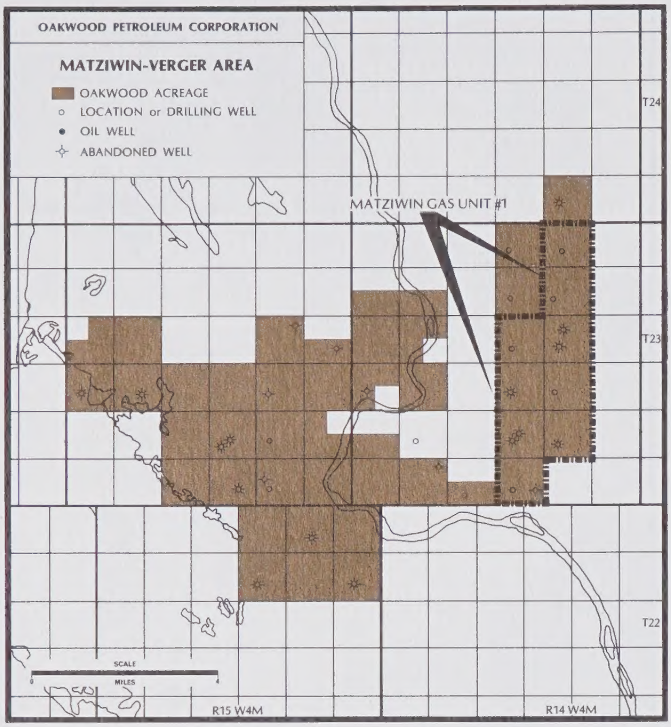
- The PRINCESS FIELD continues to generate income from the sale of gas where Oakwood has working interests from 40 to 100% in 12 producing gas

wells some of which are multiple completions. Oakwood, together with its partner, Great Basins Petroleum Ltd., plan to drill an additional five to ten wells prior to the end of 1975. The wells drilled will test the Milk River, Medicine Hat and Second White Specks formations. All three formations are presently producing in the existing wells. It is also planned to increase the present plant capacity to approximately 4 mmcf per day.

- Oakwood has acquired an additional 4.27012% Unit interest through Marwood Petroleum Ltd. for a present 39.80789% interest in the MATZIWIN GAS UNIT No. 1. Oakwood and its subsidiary companies have additional varying working interests in surrounding acreage in the GEM, VERGER and MATZIWIN areas. The varying interests set out above result in Oakwood and its subsidiary companies having an interest in approximately 34,304 gross petroleum and natural gas lease acres for a net position of approximately 5,147 acres.

Recent natural gas price increases have resulted in these properties becoming very attractive for development drilling in the shallow Medicine Hat and Milk River zones.

Oakwood and its partners plan to drill approximately 13 wells in the Matziwin area prior to the end of 1975. There is an additional 24-well shallow gas



development program proposed for the Verger area in which Orient Investments has a 5% working interest in 13,600 gross acres as set out above.

As the wells are drilled and put on production it will be necessary to increase the present plant capacity and lay pipelines to tie in the additional wells. The present price being paid for gas under contract from the Matziwin Gas Unit No. 1 is 27¢/mcf. Under amending agreements with the gas purchasers, effective March 1, 1975 the price will increase to \$1.15/mcf. being the Gulf Oil Arbitration price, subject to Government approval. The shallow gas reserves in areas such as above call for development drilling which provides a most attractive low risk, high cash-flow.

- The BIG BEND-FLATBUSH area also will receive some attention this year in light of the gas price increases. Oakwood has a 30% working interest in 20,160 gross acres and three producing gas wells located in Townships 66 and 67, Range 1 W5M. As other gas areas, the Big Bend-Flatbush area is also favoured by the increased gas purchase prices. Our group is presently negotiating a jointly-drilled well with an outside party to evaluate the areal extent of the field. It is further proposed that Oakwood and its partners will drill two or three additional step-out wells within the near future.
- Drilling activity continues in the BULLHOOK area of Montana to increase gas production with Oakwood participating as to its 5% working interest in approximately 96,000 gross acres in the area resulting in a 4.27777% interest in the BULLHOOK GAS UNIT comprised of approximately 46,740 gross acres. The renegotiated gas purchase price under contract to Northern Natural Gas Company presently is 51¢/mcf.

As of April, 1975 there were a total of 47 wells producing or capable of producing in the unitized area and one capable of producing in the non-unitized area.

- Oakwood retains its 10 to 50% varying working interests in the SANDHILLS PROJECT in Saskatchewan 236,486 total gross gas lease acres for a net position of approximately 66,074 acres located in Townships 13 to 19 inclusive Ranges 22 to 26 inclusive W3M. To date of this report there have been a total of 33 wells drilled on the prospect of which 31 are capable of producing gas and two have been abandoned. All four permits covering the lands have now been converted to gas lease and in this respect the gross acreage has been somewhat reduced from the original 331,520 gross permit acres.

Activity on these properties has been temporarily suspended due to the present unfavourable political climate in the province of Saskatchewan, however, we are having discussions with government authorities to arrive at a mutually agreeable solution to place these properties on production.

- Oakwood, through its subsidiary, Flamingo Oils Ltd., has purchased a 40% working interest in a gas well presently being put on production in the CONNORSVILLE area of Alberta. The well is located on Lsd. 11, Section 11, Township 26, Range 15 W4M. Included in the purchase was an additional 20% working interest in 7,200 gross acres. Flamingo's net acreage including the 40% working interest in the 640-acre spacing unit on which the well is situated is 1,696 net acres. It is planned to drill at least one additional well on the prospect prior to year end.

MINING OPERATIONS

Oakwood has retained its 10% working interest in 1,114 mineral claims in the GODLIN LAKE area of the Northwest Territories, containing approximately 57,928 acres; a 10% working interest in the HOOD RIVER area, Northwest Territories 1,020-acre mineral claims; and its 10% working interest in the JOINT VENTURE AGREEMENT WITH AQUARIUS MINES LTD. The Joint Venture Group has agreed to spend an additional \$200,000 on exploratory work to be performed on the BOLIVAR, CORTEZ, CRESCENT and CAPSHEAF properties comprising 89 claims covering 4,450 gross acres.

While Oakwood does not anticipate great involvement in the mining industry, it appears that this joint venture program will ultimately be a profitable project.

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

YEAR ENDED DECEMBER 31, 1974

	1974	1973
REVENUE		
Sale of oil and gas	$ 1,060,939	$ 546,600
Interest and other	10,228	30,807
	1,071,167	577,407
EXPENSES		
Field operating	272,893	161,980
Lease rentals on undeveloped properties	33,307	16,994
Exploration	17,738	137,474
Engineering and consulting	55,580	33,444
General and administrative	260,149	178,112
Interest on long-term debt	161,552	73,904
	801,219	601,908
Funds provided from (applied to) operations	269,948	(24,501)
Charges not requiring funds		
Depreciation and depletion	328,781	199,858
Surrender of non-producing properties	551,435	65,585
Share of loss of American Eagle Petroleums Ltd. (Note 3)	67,476	—
	(947,692)	(265,443)
LOSS FOR THE YEAR	(677,744)	(289,944)
Deficit at beginning of year	(4,702,835)	(4,412,891)
DEFICIT AT END OF YEAR	$(5,380,579)	$(4,702,835)
LOSS PER SHARE, based on weighted average number of shares outstanding during the year	$(.19)	$(.11)

OAKWOOD PETROLEUMS LTD.
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET — DECEMBER 31, 1974

ASSETS

	1974	1973
CURRENT ASSETS		
Cash	$ 49,590	$ 367,797
Accounts receivable	275,556	564,251
	325,146	932,048
RECEIVABLE UNDER SHARE PURCHASE PLAN (Note 2)	133,000	—
INVESTMENT IN AMERICAN EAGLE PETROLEUMS LTD. (Note 3)	1,379,602	1,130,457
PROPERTY AND EQUIPMENT		
Producing petroleum and natural gas leases and rights including development and equipment thereon, at cost	7,974,110	6,394,939
Accumulated depletion and depreciation	4,348,173	4,026,409
	3,625,937	2,368,530
Non-producing properties, at cost	586,741	819,881
	4,212,678	3,188,411
OTHER ASSETS		
Financing costs, less amortization	—	7,745
Receivables and advances	93,475	—
	93,475	7,745
	$6,143,901	$5,258,661

Approved by the Board

Dallas E. Hawkins III Director

Director

LIABILITIES

	1974	1973
CURRENT LIABILITIES		
Bank advances	$ 115,898	$ —
Accounts payable and accrued liabilities	686,989	561,676
Notes payable	197,500	—
Prepayments under gas sales contracts	23,621	28,868
Current maturities on long-term debt	435,000	219,000
	1,459,008	809,544
PREPAYMENTS UNDER GAS SALES CONTRACTS	181,291	189,549
LONG-TERM DEBT (Note 4)	1,009,459	730,711

SHAREHOLDERS' EQUITY

	1974	1973
CAPITAL STOCK (Note 5)		
Authorized		
5,000,000 common shares without par value		
Issued		
3,643,781 (1973 — 3,318,223) shares	8,106,570	7,463,540
CONTRIBUTED SURPLUS	768,152	768,152
	8,874,722	8,231,692
DEFICIT	(5,380,579)	(4,702,835)
	3,494,143	3,528,857
	$6,143,901	$5,258,661

OAKWOOD PETROLEUMS LTD.
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1974

	1974	1973
SOURCE OF FUNDS		
From operations	$ 269,948	$ —
Proceeds on sale of fixed assets	40,534	31,751
Bank loans, net of payments	320,248	195,324
Issue of shares		
For cash	—	1,071,806
For properties	245,000	—
For shares of American Eagle Petroleums Ltd.	226,680	1,126,020
On conversion of debentures	38,350	327,817
To employees under share purchase plan	133,000	—
	1,273,760	2,752,718
APPLICATION OF FUNDS		
To operations	—	24,501
Additions to property and equipment	1,940,422	750,117
Purchase of shares of American Eagle Petroleums Ltd.	316,621	1,130,457
Conversion of debentures, net of financing costs	38,350	327,818
Reduction of prepayments under gas sales contracts	8,258	7,015
Receivable under share purchase plan	133,000	—
Receivables and advances	93,475	—
	2,530,126	2,239,908
INCREASE (DECREASE) IN WORKING CAPITAL	(1,256,366)	512,810
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	122,504	(390,306)
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	$(1,133,862)	$ 122,504

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1974

1. ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries all of which are wholly-owned. The excess of the consideration paid for shares of purchased subsidiaries over the net book value of the assets acquired has been included in fixed assets in the consolidated balance sheet and is being amortized on the same basis as such assets.

(b) Property and Equipment

The companies follow the practice of capitalizing the acquisition costs of both producing and non-producing properties and charging the costs to earnings if the property is subsequently surrendered. The cost of drilling a productive well is capitalized and the cost of a non-productive well is charged to earnings when the well is determined to be dry. The costs of producing leases and development thereon are amortized using the unit of production method based upon estimated quantities of oil and gas as determined by the Company's engineers.

Equipment is depreciated on a straight-line basis over its estimated useful life.

2. RECEIVABLE UNDER SHARE PURCHASE PLAN

During the year, 70,000 shares were issued to three officers of the Company under the terms of a share purchase plan. The purchase price, $133,000, is payable prior to March 21, 1976 and is secured by the issued shares which are held in trust pending payment. Shares which remain unpaid at March 21, 1976 are to be returned to the Company in full settlement for any amounts then owing.

3. INVESTMENT IN AMERICAN EAGLE PETROLEUMS LTD.

During the latter part of 1973, the Company acquired 938,351 shares of American Eagle Petroleums Ltd. (American Eagle). In 1974 an additional 234,000 shares of American Eagle were acquired for $89,941 cash and 94,450 shares of the Company valued at $226,680. At December 31, 1974, the Company owns 1,172,351 shares (approximately 28%) of American Eagle.

The Company follows the equity basis of accounting whereby the investment is carried at cost less the Company's share of American Eagle losses since the date of acquisition. The excess of the consideration paid for shares of American Eagle over its net book value of acquired assets is being amortized on the same basis as the related assets of that company.

	1974	1973
Shares, at cost	$1,447,078	$1,130,457
Share of losses	67,476	—
	$1,379,602	$1,130,457

The shares had a market value of $352,000 at December 31, 1974. While, in the opinion of management the difference between carrying value and market value does not reflect a permanent impairment in the value of the investment the Company has no immediate plans to dispose of the shares, it is not possible to determine the amount that may ultimately be realized on a disposal of this investment.

4. LONG-TERM DEBT

	1974	1973
Production bank loans, less current maturities	$1,008,459	$688,211
7% convertible subordinated debentures, due 1978	1,000	42,500
	$1,009,459	$730,711

The production bank loans are evidenced by demand promissory notes and are secured by petroleum and natural gas properties, accounts receivable and shares of American Eagle Petroleums Ltd.

The 7% convertible subordinated debentures are convertible to 1978 into common shares of the Company at various prices ranging from 90¢ per share to $1.25 per share.

5. CAPITAL STOCK

Transactions in the Company's capital stock during the year ended December 31, 1974 were as follows:

	Number of Shares	Carrying Value
Balance, December 31, 1973	3,318,223	$7,463,540
Issued on conversion of 7% convertible subordinated debentures, after deducting $3,151 unamortized debt discount and expense	46,108	38,350
Issued in payment for shares of American Eagle Petroleums Ltd.	94,450	226,680
Issued for property and equipment	115,000	245,000
Issued under terms of employee share purchase plan (Note 2)	70,000	133,000
	3,643,781	$8,106,570

6. SUBSEQUENT EVENT

Subsequent to December 31, 1974 the Company agreed to purchase all of the issued and outstanding shares of a private company engaged in metal fabrication for a consideration of $933,000. The purchase price is payable as to $783,000 on the closing date of the sale and the balance of $150,000 is due within two years from such closing date.

7. STATUTORY INFORMATION

During 1974 the Company and its subsidiaries paid no remuneration to the companies eight directors in their capacity as directors and paid $80,294 to three officers of the Company, one of whom is also a director.

AUDITORS' REPORT

To the Shareholders of
Oakwood Petroleums Ltd.

We have examined the consolidated balance sheet of Oakwood Petroleums Ltd. and its subsidiary companies as at December 31, 1974 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. For Oakwood Petroleums Ltd. and its subsidiaries which are consolidated in these financial statements, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For American Eagle Petroleums Ltd. accounted for by the equity method, we have relied on the report of the auditors who examined its financial statements.

In our opinion, subject to the resolution of the matter referred to in Note 3 to the consolidated financial statements, these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
June 20, 1975

THORNE RIDDELL & CO.
Chartered Accountants

lawson graphics western limited
Litho'd in Canada

OAKWOOD ANNUAL REPORT 1974